This paper is also being presented at the SAC meeting in June 2009 as Agenda paper 5B. All references in the paper refer to that meeting.

Financial Statement Presentation Exercise

1. Listed on the next page are revenues, expenses, gains and losses for a non-financial company. The sum of these items equals the total non-owner changes in equity (comprehensive income in our current terminology) for the period.

2. The list is alphabetical and does not include any subtotals, such as operating profit, or net income, etc.

3. Your task is to present the revenues, expenses, gain and losses classified in the way that you think will provide the most useful information for investors. You can group items together if you think that is appropriate, using whatever headings and subtotals you see fit.

4. You may also combine line items if you wish, but the original line items should then be shown separately at the foot of the performance statement adding up to the combined amount (for our purposes)..

5. All of the items are show as gross (ie pre-tax) amounts. The tax expense for the period has been calculated as 30 per cent of the sum of the revenues, expenses, gains and losses. Assume that each individual item has a tax rate of 30 per cent. You should choose how to present tax. You might want to show tax as a total or you could show a tax subtotal for each group of items. Or, you might choose to show some or all of the items net of tax (in which case you will need to adjust any separately tax amount you report).

6. If you wish, items can be split between two or even more separate statements. However, whatever format you choose, the sum of the single statement or the

sum of the totals for each separate statement must reconcile to the 'non-owner changes in equity' shown below.

List of revenues, expenses, gains and losses

	CU'm	Notes
Cash flow hedge - FV change for derivatives qualifying as a cash flow hedge	(67)	(1)
Discontinued operation - Gain on disposal of business segment	56	
Discontinued operation - Revenue to date of disposal	126	
Discontinued operation - Operating expenses to date of disposal	(107)	
Foreign currency translation difference	(192)	(2)
Gain on disposal of PP&E	20	
Impairment of goodwill	(77)	
Interest expense on financial liabilities	(73)	(3)
Interest expense related to finance leases	(44)	
Interest income on financial assets	11	(3)
Investment in equity securities - Fair value change	85	(4)
Investment property - Fair value change	45	
Other operating expenses	(1,025)	
Pensions - Change in fair value of pension fund assets	159	(5)
Pensions - Impact of change in longevity estimate on gross pension liability	(134)	
Pensions - Impact of discount rate change on gross pension liability	25	
Pensions - Interest accretion on gross pension liability	(98)	
Pensions - Service cost	(43)	
Remeasurement of cash settled employee stock options	(29)	
Rental income from investment property	32	(6)
Revaluation of tangible fixed asset	100	
Revenue	1,580	
Settlement of debt obligation	50	(3)

Taxation	(120)
Total non-owner changes in equity	**280**

Notes

(1) This is the fair value change for the current period that IAS 39 currently requires to be recognised in OCI as part of the cash flow hedge accounting rules. The hedge relates to forecast operating expenses.

In addition, the amount that would be recycled out of OCI and into income is a previously recorded gain of 92m. It is not included in the table presented above because it would be shown as a reduction of OCI and an increase in income.

If you decide that gains and losses on cash flow hedges should be recycled you should recycle the 92m. If you decide that recycling should not be permitted you should make a statement to that effect, to ensure that we know why the amount was not reported in this period.

(2) The translation difference relates to foreign subsidiaries. IAS 21 requires that such amounts be recognised in OCI but recycled out if the related entity ceases to be a subsidiary. None of the subsidiaries have been sold in the current period so there is no amount to recycle.

(3) Interest income relates to financial assets. Interest expense and the gain on settlement of the debt obligation relate to financial liabilities. All of these items are regarded by the entity to be components of 'financing'.

(4) The investment in equity securities is classified under IAS 39 as an available-for-sale investment and is not regarded as part of the core operating activities of this company.

(5) The estimated expected return on pension fund assets is 130m and the interest accretion on gross pension fund assets calculated at the liability discount rate is 88m. Also, considering the Board's recent tentative decision, assume that the corridor method for pensions accounting is not available.

(6) The investment property is not regarded as part of the core operating activities of this company.